the account of the United States up to the amount paid on the guaranty plus any costs or expenses incurred by the United States. Collections will be deposited in the loan guaranty and insurance fund established pursuant to this part. Any amounts collected in excess of those necessary to reimburse the United States for amounts paid under the guaranty plus costs or expenses shall be paid to the lender up to the amount of the lender's losses. Any residue from collection shall go to the borrower.

[57 FR 46473, Oct. 8, 1992]

§ 103.37 Default on insured loans.

Within 45 calendar days after the occurrence of a default of a loan made under the provisions of an insurance agreement, the lender shall notify the Commissioner by certified or registered mail giving the name of the borrower, insurance agreement number, amount of unpaid principal, amount of delinquent principal, accrued interest unpaid to date of notice, amount of delinquent interest and description of default. Within 60 calendar days after default on an insured loan, the lender shall proceed as prescribed in paragraph (a) or (b) of this section unless it has requested, and the Commissioner has approved, an extension of time. A request for an extension of time will explain the necessity for an extension and the estimated date on which action will be initiated. Failure of the lender to proceed within 60 calendar days or the extended time approved by the Commissioner, will be grounds for the Commissioner to terminate the loan insurance on the loan involved.

(a) The lender and borrower may agree upon an extension of the repayment terms of a loan or other forbearance for the benefit of the borrower. However, such forbearance will not be extended if it will increase the likelihood of a loss on a loan. Insured loans made under the provisions of a general insurance agreement authorizing a lender to make loans under the terms prescribed in the agreement will not require Commissioner approval of changes in agreements made by the lender and borrower. Provided, such changes are in compliance with the re-

quirements of § 103.21 and the applicable sections referred to therein. The lender shall immediately notify the Commissioner within 21 calendar days of changes made in the agreement. Insured loans made which originally required the issuance of a separate insurance agreement by the Commissioner will require Commissioner approval of changes in the provisions of such loans.

(b) If an insured lender determines that proceeding under paragraph (a) of this section is contrary to its customary lending practices or is not in the interest of a borrower, it will be required to exhaust all reasonable efforts to collect the loan and to liquidate the security to the fullest extent feasible before submitting a claim for reimbursement of a loss.

(c) If a lender proceeds under the provisions of paragraph (b) of this section and suffers a loss, it may submit a claim for reimbursement for unpaid principal and interest on a form furnished by the Commissioner and will furnish any additional information needed to establish the amount of the claim. Claims will be submitted to the Commissioner within 45 calendar days after completion of the procedures prescribed in this section. All claims shall be accompanied by evidence showing that all reasonable efforts to collect the loan have been exhausted and that security given for the loan has been liquidated to the extent feasible. If the Commissioner agrees that a loss has occurred, he will reimburse the lender pursuant to the terms of the approved insurance agreement under which the loan was insured. Upon reimbursement by the Commissioner to the lender in whole or in part for the loss insured, the note and security for the loan or judgment evidencing the debt shall be assigned to the United States. The lender shall have no further claim against the United States or the borrower. The Commissioner will then take such further collection action as may be warranted. The Commissioner may establish a date upon which accrual of interest or charges shall cease.